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C E N T R A L I N T E L L I G E N C E A G E N C Y
O F F I C E O F N A T I O N A L E S T I M A T E S

18 February 1957

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Probable Effects of US-Supported UN Sanctions
Against Israel

1. This memorandum estimates the probable effects of the adoption by the UN General Assembly, with US support, of a resolution recommending sanctions against Israel until such time as it complies with the General Assembly resolution calling for its withdrawal from Sinai and the Gaza Strip. It is here assumed that under such a resolution the US would halt all US Government assistance to Israel, would block Israeli funds in the US, and would block the private transfer of goods and dollars from the US to Israel.

Probable Extent of Participation

2. A program of UN sanctions against Israel would be strongly supported by the Arab states and by the USSR, which has already halted shipments of oil to Israel. It would also

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be complied with by most of the Arab-Asian and many Latin American states, probably including countries such as Iran and Venezuela from which Israel has obtained oil. Given active US participation in the program, most of the NATO countries, including the UK, would probably go along reluctantly with a program of sanctions. However, Canada, which sold arms to Israel last year, has indicated that it would not. West Germany has stated it would not suspend reparations payments. France would almost certainly refuse to participate in economic sanctions and in fact would probably increase shipments to Israel. Moreover, many of the other NATO countries would in practice give only limited cooperation to the sanctions program. Should sanctions fail to produce prompt Israeli compliance with the General Assembly's wishes, the willingness of other nations, particularly in the NATO group, to continue applying sanctions would almost certainly decline. In the probable event of a new deadlock with Nasser on the Suez Canal issue, Western willingness to cooperate with a program of sanctions would be sharply reduced.

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Effects on Israel

3. For the UN to take the extreme step of imposing sanctions would be a severe diplomatic blow to Israel. Although Israel would retain the friendship of France and considerable sympathy on the part of the UK and other Western powers, it would be confronted with the opposition not only of the Arab states and the USSR, now its avowed enemy, but also of the US Government, its most important friend and protector, and of a majority of the other nations of the world.

4. Economically, the imposition of sanctions would be especially serious because of Israel's continuing dependence on outside supplies and financing not only for continuation of its immigration program and furtherance of economic development but also for maintenance of its present standard of living. Approximately a quarter of Israel's imports consist of food and another quarter of raw materials, including vegetable oils, petroleum, and textiles. Virtually all of Israel's heavy military equipment must also be obtained abroad. Israel's imports amounted to about \$325 million

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in 1956, of which only \$88 million worth was covered by exports, and another \$40 million in reparations from West Germany. Thus the \$45 million a year which Israel is receiving in US economic and technical assistance and the more than \$150 million a year raised privately in the US and other Western countries represent critical elements in the economy.

5. It appears almost certain that a sustained program of economic sanctions would eventually compel Israel to yield to a program of US-supported economic sanctions -- probably within a period of three to twelve months. For the present, however, we believe the chances are better than even that Israel would not give way in the face of the imposition of sanctions but would instead try to hold out as long as possible in the hope of bringing about a change in world sympathy in Israel's direction. Premier Ben Gurion and his colleagues almost certainly believe that Israel's present occupation of Gaza and the Sharm el-Sheikh littoral give Israel a unique bargaining counter. Moreover, despite their recognition of Israel's continuing long-range dependence on US support, they would almost certainly be strongly influenced by anger against the present

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US government for any support of sanctions and by the hope that sufficient sympathy for Israel could be developed within the US and in other Western countries to force the US government to abandon sanctions. Finally, Israel's present leadership almost certainly continues to believe that a vigorous and uncompromising policy offers the only chance of safeguarding Israel's interests.

Reactions of the Arab States

6. US support of and participation in a program of sanctions against Israel would be enthusiastically applauded in the Arab states and at least in the short run would considerably enhance US efforts to compete with Soviet influence in the area. However, Arab enthusiasm for the US will continue to be tempered by underlying suspicions of past US ties with Israel and the "colonial" powers.

7. As to Egypt's position on Suez Canal issues, we believe that, even if Israel did not yield to sanctions, Egypt might permit clearance of the Canal to proceed. On the issues of toll payment and ultimate settlement, however, we believe that the Egyptian position would not be substantially affected -- even if Israel were to yield -- and that a deadlock on these issues would remain likely.

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Likelihood of New Hostilities

8. Israel's military establishment is already low in FOL stocks, and in the face of further stringencies resulting from economic sanctions would probably not initiate new hostilities against the Arabs. Nevertheless, the imposition of sanctions would probably increase tensions in the area and might thereby lead to a new military flareup. Egypt and other Arab states might be emboldened to step up the pace of raids and incursions. Should a program of sanctions continue for some time without either producing Israeli withdrawal or some resolution of the Suez Canal issue, opinion in the UK and possibly other Western European countries might swing toward intensification of pressures against Egypt and the other Arab states, though it presently appears extremely unlikely that there would be another Western military intervention in the area.

FOR THE BOARD OF NATIONAL ESTIMATES:

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